



OFFICE OF THE  
HEALTH INSURANCE COMMISSIONER  
STATE OF RHODE ISLAND

# News

**For Immediate Release**

CONTACT: Christopher F. Koller  
Health Insurance Commissioner  
401-462-9517

**OHIC Issues Direct Pay Rate Order**  
***Lowers Requested Rate Increase further than agreement between BCBSRI and Attorney General***

**Cranston, RI February 8, 2010** — The Health Insurance Commissioner, Christopher F. Koller issued his decision on the requested rate increase for Direct Pay Products issued by Blue Cross and Blue Shield of Rhode Island (Blue Cross).

In the order, Koller said the terms of the stipulation agreement reached by Blue Cross and the Office of the Attorney General inadequately addressed Blue Cross's obligations and disallowed certain costs allocated to the Direct Pay Product.

Under the terms of the stipulation of settlement between Blue Cross and the Attorney General, the average expected rate increase was reduced from 10.2% to 9.5%. Koller directed Blue Cross to make the reductions agreed to in the stipulation agreement and to eliminate allocations to the Direct Pay Product for certain state-administered Medical Services and for the State Premium Tax. The Office estimates the effect would be to reduce average rate increases to approximately seven percent.

"The Hearing Officer concluded that he was bound by the stipulation of settlement between the parties," Koller wrote in his order. "I find that... the facts as stipulated do not adequately address Blue Cross's obligations to employ pricing strategies that enhance the affordability of health care coverage."

Koller noted that the method of allocating to Direct Pay products the costs of state administered medical services was only an estimate which may not reflect the amounts used by subscribers. In rejecting the allocation of the State's premium tax to Direct Pay subscribers, Koller said "the Premium Assessment adversely affects the affordability of the Direct Pay product. While it is a cost to Blue Cross, like a reserves assessment, it is not a cost incurred by Direct Pay subscribers for using or administering the products."

Koller concluded his order by noting that while Direct Pay subscribers are the most vulnerable purchasers of commercial health insurance, the issue of affordable health insurance is much more systemic. "Rate review alone won't make health insurance affordable, Koller said. "Next year with this review, we will again be faced with a bad set of choices." Health insurance reforms - such as changes in provider payment methodologies - and subsidies are needed, "particularly for low and moderate-income insurance consumers who have no employer to assist them."

Blue Cross may accept the decision of the Health Insurance Commissioner or appeal it in Court.

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### **About Direct Pay**

Direct Pay is individual and family insurance for subscribers who have no access to employer-based insurance. Currently there are approximately 14,000 Direct Pay subscribers and dependents who have a choice of products. They can be enrolled one of two pools, depending on their medical history – people in the healthy pool subsidize the costs of care of people in the other pool. BCBSRI is the only health insurance provider in this market, and by law the rates they charged are reviewed and approved by OHIC in a rate hearing process

## **About the Office of the Health Insurance Commissioner**

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the state of Rhode Island. Under this legislation, the Office is dedicated to:

1. Protecting consumers
2. Encouraging fair treatment of medical service providers
3. Ensuring solvency of health insurers
4. Improving the health care system's quality, accessibility and affordability

The Office sets and enforces standards for health insurers in each of these four areas.  
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